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IN THE

Supreme Court of the United States

October Term, 1971
No. 71-118

MASSILLON-CLEVELAND-AKRON SIGN CO.,
Petitioner,

vs.

GOLDEN STATE ADVERTISING CO., INC.; ALBERT A. GOLD; and McCOY-GOLD MERCHANDISING, INC.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

PETITION FOR REHEARING.

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On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

PETITION FOR REHEARING.

The petitioner herein respectfully moves this Court for an order (1) vacating its denial of the petition for writ of certiorari, entered on October 12, 1971, and (2) granting the petition. As grounds for this motion, petitioner states the following.

Recent Events Show That the Decision Below Has Had, and Will Continue to Have a Chilling Effect on the Established and Developing Procedures for Voluntary Arbitration of Patent Controversies and Thus Presents an Important Question That Should Be Reviewed by This Court.

1. The Instant Case Has Been Recognized as Involving an Important Question Affecting the Administration of the Patent Laws.

The adverse effect of the decision below upon the practice of voluntary arbitration has very recently become apparent. On October 14, 1971, following denial of certiorari in the case at bench, the "BNA's PATENT, TRADEMARK & COPYRIGHT JOURNAL" (hereinafter PTCJ) published a report of denials of certiorari, stating in part,

> "Perhaps the most significant denial of review is in the case of Massillon-Cleveland-Akron Sign Co. v. Golden State Advertising Co., Inc. No. 71-118, PTCJ No. 33, A-10, D-1; No. 39, A-13. (See also, ANALYSIS, PTCJ No. 46, B-1.) A Ninth Circuit ruling that settlement covenants not to challenge patent validity are void and unenforceable in light of Lear v. Adkins, 395 U.S. 653 (1969), will therefore remain standing. *Although the Ninth Circuit realized that 'the recognized policy favoring settlement of disputes might be hindered,' it ruled that such a policy 'must give way to the policy favoring free competition in ideas not meriting patent protection.'* "
>
> 48 PTCJ, A-3 (emphasis added)

2. The Decision Below Has Discouraged Appropriate Legislation Sanctioning Arbitration of Patent Disputes.

The Ninth Circuit ruling just referred to bids fair to curtail if not eliminate voluntary arbitration of patent disputes. In the same October 14 issue of its Journal, BNA also reported the action of the Senate Patent Trademark and Copyright Subcommittee in striking certain amendments from the presently pending Patent Revision Bill and reporting said bill, sans amendments, to the full Judiciary Committee.

One of the amendments stricken from the bill as above stated, was a provision sanctioning voluntary arbitration of patent disputes. As to the deletion of this provision, the remarks of the Subcommittee Counsel (Thomas C. Brennan, Esq.) are reported as follows:

> "The subcommittee also voted, Mr. Brennan said, against a proposal to add a provision sanctioning the use of arbitration in settlement of patent disputes, agreeing with Senator Hart that the *public interest makes arbitration an inappropriate method* for settlement."
>
> 48 PTCJ, AA-2 (emphasis added)

But public policy strongly *favors* arbitration. The purpose of the proposed arbitration amendment above referred to, was

> ". . . to give statutory recognition to voluntary arbitration of patent contests involving either infringement or validity of the patent, since court decisions are not clear on this point. Voluntary arbitration of patent disputes may be one way of

reducing the backlog of civil cases in the Federal courts, and of providing a workable alternative to the time-consuming, costly judicial process for processing patent suits. It is an innovation that holds out the hope of speeding up the pace of our litigation, and alleviating one of the most common grievances called to the attention of The President's Commission on the Patent System, by all branches of the patent-using community, namely, the high cost of patent litigation."

53 Journal of the Patent Office Society (JPOS) 397 at 398, June 1971.

The need for legislation sanctioning arbitration of patent disputes arose, as has been stated, from a confusion in the courts as to whether arbitration was an appropriate means for settling such disputes. It had been suggested by some courts, but until the decision of the court below, never squarely held that arbitration of patent disputes was in derogation of public policy. See 53 Journal of the Patent Office Society (JPOS) 397 *supra* at 400.

This purported conflict between public interest favoring voluntary arbitration on the one hand and eliminating possibly invalid patents on the other was elevated from the status of *obiter dictum* to a rule of law by the decision of the court below in the instant case. This is clearly recognized in an earlier PTCJ article published after the parties' briefs relating to the present petition had been submitted. See "ANALYSIS" PTCJ of September 30, 1971 (No. 46) B-1 through B-7, particulary pages B-3, B-4, and B-6 wherein the decision of the court below in the instant case was extensively discussed.

One of the conclusions stated in the September 30 "ANALYSIS" is:

> "It would appear that *in the absence of specific legislation* sanctioning the submission of patent disputes involving validity to arbitration, the policy favoring free competition in ideas not meriting patent protection makes arbitration an inappropriate method of settling such disputes."
>
> 46 PTCJ B-5 (emphasis added)

It now appears that the sanctioning legislation just referred to, will not be forthcoming and that the prior practice of arbitrating patent disputes[1] will be drastically curtailed—all, we submit, as a result of the decision of the court below which extended the rule of Lear v. Adkins to cover not only implied covenants but express provisions of voluntary out-of-court settlements of patent disputes as well. The court below would prohibit—in absolute terms—all out-of-court settlements as to patent validity, irrespective of the good faith of the parties or the method of reaching such settlement.

Such a limitation on the freedom of parties to patent disputes, voluntarily to settle such disputes out of court, runs directly counter to the current urgent efforts—judicially and otherwise—to *decongest* the courts. Significant in this regard are the frequently quoted remarks of the present Chief Justice:

> "One thing an appellate judge learns very quickly is that a large part of all the litigation in the courts is an exercise in futility and frustration. The anomaly is that there are better ways of resolving private disputes, and we must in the pub-

[1]See 53 JPOS 224, April 1971.

lic interest move toward taking a large volume of private conflicts out of the courts and into the channels of arbitration."

quoted by Senator McClellan in introducing the Patent Revision Bill (See "A Proposal to Amend the Patent Revision Bill (S 643) to Provide for Voluntary Arbitration of Patent Disputes" 53 JPOS 397 at page 398)

Thus we see that effectiveness of arbitration which is expressly recognized by the Chief Justice as a better way than litigation to settle disputes, will be, and in fact has been severely hindered and weakened as a direct result of the decision of the court below in this case. Indeed the court below candidly recognizes that such may be the case but purports to justify such weakening on grounds of "public policy". See Appendix to Petitioner's opening brief, page 6.

Conclusion.

The above noted recent developments stemming from the rule supposedly established in this case have culminated in a severe setback in the development of much needed procedures for relieving court congestion. We respectfully submit that such a radical change in the law applicable to arbitration should not be made without a review and ruling by this Court. Accordingly, for the reasons set forth above as well as those contained in the original petition for writ of certiorari, we pray that this Court grant rehearing of the order of denial, vacate that order, grant the petition and review the judgment and opinion below.

Respectfully submitted,

WILLIAM K. RIEBER,
Counsel for Petitioner.

Certificate of Counsel.

As counsel for the petitioner, I hereby certify that this petition for rehearing is presented in good faith and is restricted to the grounds specified in Rule 58-(2).

WILLIAM K. RIEBER,
Counsel for Petitioner.